

**CLAY CENTRAL/EVERLY
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2013

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Clay Central/Everly Community School District

Officials

NAME	TITLE	TERM EXPIRES
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Board of Education

(Before September 2012 Election)

Scott Rinehart	President	2013
Tony Seivert	Vice President	2013
Dave Saboe	Board Member	2013
Brian Schmidt	Board Member	2013
Curt Langer	Board Member	2015

(After September 2012 Election)

Brian Schmidt	President	2015
Curt Langner	Vice President	2015
Scott Rinehart	Board Member	2017
Matt Schoning	Board Member	2015
Allison Goyette	Board Member	2017

School Officials

Dennis McClain	Superintendent	Indefinite
Diane White	District Secretary/Treasurer	Indefinite
Steve Avery	Attorney	Indefinite



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
Clay Central/Everly Community School District
Royal, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District, Royal, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay Central/Every Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay Central/Every Community School District's basic financial statements. We, and other auditors, previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the one year and eight years, respectively, ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on that financial statement. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2014 on our consideration of Clay Central/Every Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clay Central/Every Community School District's internal control over financial reporting and compliance.

Scharr & Company, LLP

Fort Dodge, Iowa
February 7, 2014

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clay Central/Everly Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,046,020 in fiscal year 2012 to \$4,806,854 in fiscal year 2013, while General Fund expenditures decreased from \$3,769,684 in fiscal year 2012 to \$3,640,157 in fiscal year 2013. This District's General Fund balance increased from \$628,363 at the end of fiscal year 2012 to \$1,795,060 at the end of fiscal year 2013, a 286% increase.
- The fiscal year 2013 General Fund revenue decrease was attributable to decreases in local sources. The increase in expenditures was due primarily to a decrease in administration expenditures. One reason the General Fund balance increased is because the negotiated salaries and benefits were less than the District's increase in General Fund revenue for fiscal year 2013. As a result, the District saved a portion of the current year General Fund salaries and benefits to carryover in the fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earning in the General Fund alone decreasing from \$1,603 in fiscal year 2012 to \$1,544 in fiscal year 2013.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Clay Central/Everly Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business-Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Assets							
Current and other assets	\$ 6,583	\$ 4,706	\$ 11	\$ 18	\$ 6,594	\$ 4,724	39.6%
Capital assets, net of accumulated depreciation	1,110	1,134	24	27	1,134	1,161	-2.3%
Total assets	7,693	5,840	35	45	7,728	5,885	31.3%
Liabilities							
Long-term liabilities	38	97	-	5	38	102	-62.7%
Other liabilities	3,479	3,091	82	87	3,561	3,178	12.1%
Total liabilities	3,517	3,188	82	92	3,599	3,280	9.7%
Net Position							
Invested in capital assets, net of related debt	1,110	1,134	24	27	1,134	1,161	-2.3%
Restricted	1,292	975	-	-	1,292	975	32.5%
Unrestricted	1,774	543	(71)	(74)	1,703	469	263.1%
Total net position	\$ 4,176	\$ 2,652	\$ (47)	\$ (47)	\$ 4,129	\$ 2,605	58.5%

The District's total net position increased 58.5%, or approximately \$1.5 million from the prior year. The largest portion of the District's net position is unrestricted.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$317,000, or 33%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$1,234,000, or 264%. This increase in unrestricted net position was primarily a result of the District's focus on reducing expenses during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Figure A-2 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012:

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business-Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 281	\$ 326	\$ 94	\$ 98	\$ 375	\$ 424	-11.6%
Operating grants, contributions	602	741	80	88	682	829	-17.7%
General revenues:							
Property tax	3,048	3,080	-	-	3,048	3,080	-1.0%
Statewide sales, services and use tax	331	320	-	-	331	320	3.4%
Unrestricted state grants	1,141	1,147	-	-	1,141	1,147	
Unrestricted investment earnings	4	1	-	-	4	1	300.0%
Other	93	119	-	-	93	119	
Total revenues	5,500	5,734	174	186	5,674	5,920	-4.2%
Program expenses:							
Instruction	2,529	2,571	-	-	2,529	2,571	-1.6%
Student support services	1,262	1,313	-	-	1,262	1,313	-3.9%
Non-instructional programs	-	-	174	196	174	196	-11.2%
Other expenses	185	228	-	-	185	228	-18.9%
Total expenses	3,976	4,112	174	196	4,150	4,308	-3.7%
Increase (decrease) in net	1,524	1,622	-	(10)	1,524	1,612	-5.5%
Net position beginning of year	2,652	1,030	(47)	(37)	2,605	993	162.3%
Net position end of year	\$ 4,176	\$ 2,652	\$ (47)	\$ (47)	\$ 4,129	\$ 2,605	58.5%

In fiscal year 2013, property tax and unrestricted state grants accounted for 76% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for all of business-type activities revenue. The District's total revenues were approximately \$5.7 million, of which approximately \$5.5 million was for governmental activities and less than \$1 million was for business-type activities.

As shown in Figure A-2, the District as a whole experienced a 4% decrease in revenues and a 4% decrease in expenses. Property tax decreased approximately \$32,000 or approximately 1%. The decrease in expenses is related to decreases in expenditures related to administration and facilities acquisition.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Revenues for governmental activities were \$5,500,178 and expenses were \$3,975,838 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Figure A-3				
	Total and Net Cost of Governmental Activities				
	(Expressed in Thousands)				
	Total Cost of Services			Net Cost of Services	
	2013	2012	Change 2012-2013	2013	2012
Instructional	\$ 2,529	\$ 2,571	-1.6%	\$ (1,890)	\$ (1,733)
Support	1,262	1,313	-3.9%	(1,172)	(1,264)
Other expenses	185	228	-18.9%	(31)	(47)
Total	\$ 3,976	\$ 4,112	-3.3%	\$ (3,093)	\$ (3,044)

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$281,074.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$601,643.
- The net cost of governmental activities was financed with \$3,379,133 in property and other taxes and \$1,141,019 in unrestricted state grants.

Business-type Activities

Revenues for business-type activities during the year ended June 30, 2013 were \$174,398, representing a 6% decrease over the prior year, while expenses totaled \$174,364, a 12% decrease over the prior year. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, state reimbursement and investment income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS

As previously noted, Clay Central/Everly Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental fund as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,012,104, well above last year's ending fund balances of \$1,520,445. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2013 is due to the approximate \$419,000 decrease in expenditures relating to special education services.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. The District's increase in fund balance is due primarily to increases in property taxes of approximately \$150,000 and reduction in expenditures, allowing the District to carryover a fund balance to meet its financial obligations during the next year.
- The General Fund balance increased from \$628,363 to \$1,795,060 due, in part, to the negotiated salaries and benefits and managing existing expenditure commitments of the District.
- The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Project Fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy fund balance increased from \$66,250 at June 30, 2012 to \$101,429 at June 30, 2013. This was due to decreased expenditures related to facilities and improvements to facilities.
- The Statewide Sales, Services and Use Tax fund balance increased from \$587,941 at June 30, 2012 to \$804,291 at June 30, 2013.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a deficit of \$46,775 at June 30, 2012 to a deficit of \$46,741 at June 30, 2013. Revenues for business-type activities during the year ended June 30, 2013 were \$174,398, representing a decrease of approximately 6% from prior year revenues of \$186,368.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGETARY HIGHLIGHTS

The District's total revenues were \$49,803 more than total budgeted revenues, a variance of approximately 1%. Even though local tax revenue increased in fiscal year 2013, a reduction in state resources caused the total amount received to be approximately the amount originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$1.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets (See Figure A-4). This represents a net decrease of 2.5% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$130,018.

The original cost of the District's capital assets was approximately \$5.6 million. Governmental funds account for approximately \$5.5 million, with the remainder of approximately \$100 thousand accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in improvement other than buildings. The District's improvements other than buildings totaled \$545,380 at June 30, 2013, compared to \$511,008 reported at June 30, 2012. This significant increase resulted from playground and recreational improvements made by the District.

Figure A-4
Assets, net of Depreciation
(Expressed in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Land	\$ 10	\$ 10	\$ -	\$ -	\$ 10	\$ 10	0%
Buildings	665	715	-	-	665	715	-7%
Improvements other than buildings	167	96	-	-	167	96	74%
Furniture and equipment	268	313	24	29	292	342	-15%
Total	<u>\$ 1,110</u>	<u>\$ 1,134</u>	<u>\$ 24</u>	<u>\$ 29</u>	<u>\$ 1,134</u>	<u>\$ 1,163</u>	<u>-2.5%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

At June 30, 2013, the District had \$38,475 in total long-term debt outstanding. This represents a decrease of approximately 63% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-5			
Outstanding Long-term Obligations			
(Expressed in Thousands)			
	Total School District		Percentage Change
	2013	2012	2012-2013
Early retirement	\$ 16	\$ 33	-51.5%
Net OPEB liability	22	70	-68.6%
Total	\$ 38	\$ 103	-63.1%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Clay, Dickinson and O'Brien Counties have advised the District its total taxable valuation will increase 4.25% for property tax collected in fiscal year 2014 due to the recent completion of property revaluation assessments.
- The District expects a significant decrease in enrollment due to open enrollments.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane White, District Secretary/Treasurer and Business Manager, Clay Central/Every Community School District, 401 Church Street, P.O. Box 110, Royal, Iowa 51357.

BASIC FINANCIAL STATEMENTS

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,193,083	\$ -	\$ 3,193,083
Receivables:			
Property tax:			
Delinquent	54,279	-	54,279
Succeeding year	3,032,538	-	3,032,538
Accounts	37,100	2,539	39,639
Income surtax	92,093	-	92,093
Due from other governments	101,539	-	101,539
Inventories	-	8,652	8,652
Internal balances	72,146	(72,146)	-
Capital assets (net of accumulated depreciation)	1,110,238	23,697	1,133,935
Total assets	7,693,016	(37,258)	7,655,758
Liabilities			
Accounts payable	120,214	3,367	123,581
Salaries and benefits payable	325,829	6,116	331,945
Deferred revenue:			
Succeeding year property tax	3,032,538	-	3,032,538
Long-term liabilities:			
Portion due or payable within one year:			
Termination benefits	4,680	-	4,680
Portion due or payable after one year:			
Termination benefits	11,795	-	11,795
Net OPEB liability	22,000	-	22,000
Total liabilities	3,517,056	9,483	3,526,539
Net Position			
Net invested in capital assets	1,110,238	23,697	1,133,935
Restricted for:			
Categorical funding	74,433	-	74,433
Management levy purposes	271,868	-	271,868
Student activities	39,456	-	39,456
School infrastructure	804,291	-	804,291
Physical plant and equipment	101,429	-	101,429
Unrestricted	1,774,245	(70,438)	1,703,807
Total net position	\$ 4,175,960	\$ (46,741)	\$ 4,129,219

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants, Contributions and Restricted Interest	Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,987,275	\$ 170,083	\$ 311,602	\$ -
Special instruction	224,106	26,554	66,587	-
Other instruction	316,962	-	63,174	-
	<u>2,528,343</u>	<u>196,637</u>	<u>441,363</u>	<u>-</u>
Support services:				
Student	34,858	84,437	-	-
Instructional staff	90,107	-	-	-
Administration	537,417	-	-	-
Operation and maintenance of plant	346,815	-	-	-
Transportation	252,825	-	5,367	-
	<u>1,262,022</u>	<u>84,437</u>	<u>5,367</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	28,185	-	-	-
AEA flowthrough	154,913	-	154,913	-
Depreciation (unallocated)*	2,375	-	-	-
	<u>185,473</u>	<u>-</u>	<u>154,913</u>	<u>-</u>
Total governmental activities	<u>3,975,838</u>	<u>281,074</u>	<u>601,643</u>	<u>-</u>
Business-type activities:				
Non-instructional programs:				
Food service operations	174,364	94,255	80,076	-
Total business type activities	<u>174,364</u>	<u>94,255</u>	<u>80,076</u>	<u>-</u>
Total	<u>\$ 4,150,202</u>	<u>\$ 375,329</u>	<u>\$ 681,719</u>	<u>\$ -</u>

Exhibit B

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (1,505,590)	\$ -	\$ (1,505,590)
(130,965)	-	(130,965)
(253,788)	-	(253,788)
(1,890,343)	-	(1,890,343)
49,579	-	49,579
(90,107)	-	(90,107)
(537,417)	-	(537,417)
(346,815)	-	(346,815)
(247,458)	-	(247,458)
(1,172,218)	-	(1,172,218)
(28,185)	-	(28,185)
-	-	-
(2,375)	-	(2,375)
(30,560)	-	(30,560)
(3,093,121)	-	(3,093,121)
-	(33)	(33)
-	(33)	(33)
(3,093,121)	(33)	(3,093,154)

(Continued on next page)

CLAY CENTRAL EVERLY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants, Contributions and Restricted Interest	Grants, Contributions and Restricted Interest
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

* This amount excludes the depreciation included in the direct expenses of various programs.

See notes to financial statements.

**Exhibit B
(Continued)**

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ 2,887,593	\$ -	\$ 2,887,593
67,919	-	67,919
92,184	-	92,184
331,437	-	331,437
1,141,019	-	1,141,019
4,114	17	4,131
93,195	50	93,245
4,617,461	67	4,617,528
1,524,340	34	1,524,374
2,651,620	(46,775)	2,604,845
\$ 4,175,960	\$ (46,741)	\$ 4,129,219

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit C

BALANCE SHEET
Governmental Funds
June 30, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and cash equivalents	\$ 2,011,072	\$ 864,353	\$ 317,658	\$ 3,193,083
Receivables:				
Property tax:				
Delinquent	48,686	1,226	4,367	54,279
Succeeding year	2,781,819	70,719	180,000	3,032,538
Accounts	37,100	-	-	37,100
Income surtax	92,093	-	-	92,093
Interfund receivable	72,146	-	-	72,146
Due from other governments	48,234	53,305	-	101,539
Total assets	\$ 5,091,150	\$ 989,603	\$ 502,025	\$ 6,582,778
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 96,349	\$ 13,164	\$ 10,701	\$ 120,214
Salaries and benefits payable	325,829	-	-	325,829
Deferred revenue:				
Succeeding year property tax	2,781,819	70,719	180,000	3,032,538
Income surtax	92,093	-	-	92,093
Total liabilities	3,296,090	83,883	190,701	3,570,674
Fund balances:				
Restricted for:				
Categorical funding	74,433	-	-	74,433
Management levy purposes	-	-	271,868	271,868
Student activities	-	-	39,456	39,456
School infrastructure	-	804,291	-	804,291
Physical plant and equipment	-	101,429	-	101,429
Unassigned	1,720,627	-	-	1,720,627
Total fund balances	1,795,060	905,720	311,324	3,012,104
Total liabilities and fund balances	\$ 5,091,150	\$ 989,603	\$ 502,025	\$ 6,582,778

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**Exhibit D****Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2013**

Total governmental fund balances (page 17) \$ 3,012,104

***Amounts reported for governmental activities in the Statement of Net Position
are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$5,526,036 and the accumulated depreciation is \$4,415,798. 1,110,238

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 92,093

Long-term liabilities, including termination benefits and other post-employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (38,475)

Net position of governmental activities (page 14) \$ 4,175,960

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Governmental Funds

Year Ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,805,734	\$ 404,746	\$ 180,219	\$ 3,390,699
Tuition	196,636	-	-	196,636
Other	61,772	2,265	112,319	176,356
State sources	1,617,140	-	-	1,617,140
Federal sources	125,572	-	-	125,572
Total revenues	4,806,854	407,011	292,538	5,506,403
Expenditures:				
Current:				
Instruction:				
Regular	1,982,171	-	23,661	2,005,832
Special	227,016	-	-	227,016
Other	209,295	-	111,818	321,113
	2,418,482	-	135,479	2,553,961
Support services:				
Student	34,858	-	-	34,858
Instructional staff	55,940	-	-	55,940
Administration	479,165	-	52,829	531,994
Operation and maintenance of plant	286,815	7,429	20,524	314,768
Transportation	209,984	11,500	10,273	231,757
	1,066,762	18,929	83,626	1,169,317
Other expenditures:				
Facilities acquisition	-	136,553	-	136,553
AEA flowthrough	154,913	-	-	154,913
	154,913	136,553	-	291,466
Total expenditures	3,640,157	155,482	219,105	4,014,744
Change in fund balances	1,166,697	251,529	73,433	1,491,659
Fund balances, beginning of year	628,363	654,191	237,891	1,520,445
Fund balances, end of year	\$ 1,795,060	\$ 905,720	\$ 311,324	\$ 3,012,104

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds to the Statement of Activities
Year Ended June 30, 2013**

Change in fund balances - total governmental funds (page 19) **\$ 1,491,659**

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 106,957	
Depreciation expense	<u>(127,031)</u>	(20,074)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds.

(6,226)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	16,378	
Other postemployment benefits	<u>42,603</u>	<u>58,981</u>

Change in net position of governmental activities (page 16)

\$ 1,524,340

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit G

STATEMENT OF NET POSITION

Proprietary Fund

June 30, 2013

	<u>School Nutrition</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable	2,539
Inventories	8,652
Total current assets	<u>11,191</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>23,697</u>
Total noncurrent assets	<u>23,697</u>
Total assets	<u>34,888</u>
Liabilities	
Current liabilities:	
Accounts payable	3,367
Interfund loan payable	72,146
Salary and benefits payable	6,116
Total current liabilities	<u>81,629</u>
Net Position	
Net investment in capital assets	23,697
Unrestricted	<u>(70,438)</u>
Total net position	<u>\$ (46,741)</u>

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit H

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Proprietary Fund

Year Ended June 30, 2013

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 94,255</u>
Non-instructional programs:	
Food service operations:	
Salaries	49,811
Benefits	23,498
Supplies	98,068
Depreciation	2,987
Total operating expenses	<u>174,364</u>
Operating (loss)	<u>(80,109)</u>
Non-operating revenues:	
State sources	1,485
Federal sources	78,591
Interest income	17
Other	50
Total non-operating revenues	<u>80,143</u>
Increase in net position	34
Net position beginning of year	<u>(46,775)</u>
Net position end of year	<u><u>\$ (46,741)</u></u>

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit I

STATEMENT OF CASH FLOWS

Proprietary Fund

Year Ended June 30, 2013

	<u>School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of lunches and breakfasts	\$ 92,060
Cash paid to employees for services	(85,174)
Cash paid to suppliers for goods or services	(89,237)
Net cash used by operating activities	<u>(82,351)</u>
Cash flows from non-capital financing activities:	
State grants received	1,487
Federal grants received	72,479
Net cash provided by non-capital financing activities	<u>73,966</u>
Cash flows from investing activities:	
Interest on investments	<u>67</u>
Net decrease in cash and cash equivalents	(8,318)
Cash and cash equivalents beginning of year	<u>8,318</u>
Cash and cash equivalents end of year	<u>\$ -</u>
Reconciliation of operating (loss) to net cash used by operating activities:	
Operating (loss)	\$ (80,109)
Adjustments to reconcile operating (loss) to net cash used by operating activities:	
Commodities used	6,110
Depreciation	2,987
Increase in accounts receivable	(2,195)
Decrease in inventories	1,345
Increase in accounts payable	2,933
Decrease in salaries and benefits payable	(7,069)
Decrease in deferred income	(1,556)
Decrease in OPEB liability	<u>(4,797)</u>
Net cash used by operating activities	<u>\$ (82,351)</u>
Non-cash investing, capital and related financing activities:	
During the year ended June 30, 2013, the District received \$6,110 of federal commodities.	

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**Exhibit J****STATEMENT OF FIDUCIARY NET POSITION****Fiduciary Funds****June 30, 2013**

	<hr/>	
	Private Purpose Trust Scholarship	Agency
<hr/> Assets	<hr/>	
Cash and cash equivalents	\$ 7,219	\$ 1,259
	<hr/>	
Liabilities	<hr/>	
Due to other governments	-	1,259
	<hr/>	
Net position	<hr/>	
Reserved for scholarships	\$ 7,219	\$ -
	<hr/>	

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**Exhibit K****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****Fiduciary Funds****Year Ended June 30, 2013**

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 2,300
Interest	41
Total additions	<u>2,341</u>
Deductions:	
Instruction:	
Regular:	
Scholarship awarded	<u>3,150</u>
Change in net position	(809)
Net position beginning of year	<u>8,028</u>
Net position end of year	<u><u>\$ 7,219</u></u>
See notes to financial statements.	

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Clay Central/Everly Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, and special education pre-kindergarten. The geographic area served includes the Cities of Royal and Everly, Iowa and the predominate agricultural territory in a portion of Clay, Dickinson and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Clay Central/Everly Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clay County Assessor's Conference Board.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature; its assets equal liabilities, and it does not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1^{1/2}% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (continued):

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	15-50
Improvements other than buildings	5-25
Furniture and equipment	3-20

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it was levied.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (continued):

Long-term Obligation – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes determined pursuant when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit these amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in other expenditures function.

Note 2. Cash and Cash Equivalents

The District's deposits in banks at June 30, 2013 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,589	\$ -	\$ -	\$ 9,589
Total capital assets not being depreciated	9,589	-	-	9,589
Capital assets being depreciated:				
Buildings	2,993,749	-	-	2,993,749
Improvements other than buildings	511,008	83,074	48,702	545,380
Furniture and equipment	1,961,734	23,883	8,299	1,977,318
Total capital assets being depreciated	5,466,491	106,957	57,001	5,516,447
Less accumulated depreciation for:				
Buildings	2,278,398	50,619	-	2,329,017
Improvements other than buildings	415,148	7,718	45,195	377,671
Furniture and equipment	1,648,715	68,694	8,299	1,709,110
	4,342,261	127,031	53,494	4,415,798
Total capital assets being depreciated, net	1,124,230	(20,074)	3,507	1,100,649
Governmental activities capital assets, net	\$ 1,133,819	\$ (20,074)	\$ 3,507	\$ 1,110,238
Business-type activities:				
Furniture and equipment	\$ 117,501	\$ -	\$ -	\$ 117,501
Less accumulated depreciation	90,817	2,987	-	93,804
Business-type activities capital assets, net	\$ 26,684	\$ (2,987)	\$ -	\$ 23,697

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$	4,973
Special		2,002
Other		360

Support services:

Instructional staff		34,423
Administration		26,934
Operation and maintenance of plant		33,615
Transportation		22,349

124,656

Unallocated

2,375

Total governmental activities
depreciation expense

\$ 127,031

Business-type activities:

Food service operations	\$	2,987
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Note 4. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 32,853	\$ -	\$ 16,378	\$ 16,475	\$ 4,680
Net OPEB liability	64,603	38,000	80,603	22,000	-
Total	<u>\$ 97,456</u>	<u>\$ 38,000</u>	<u>\$ 96,981</u>	<u>\$ 38,475</u>	<u>\$ 4,680</u>
Business-type Activities:					
Net OPEB liability	\$ 4,797	\$ -	\$ 4,797	\$ -	\$ -
Total	<u>\$ 4,797</u>	<u>\$ -</u>	<u>\$ 4,797</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Changes in Long-term Liabilities (Continued)

Termination Benefits — The District offers a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

For licensed employees, the early retirement benefit is calculated as the difference between the base salary for a BA step one and the employee's contract salary for the application year. For classified employees, the early retirement benefit equals 50% of the employee's current annual salary, excluding overtime.

Upon retirement, the employee is eligible to continue participating in the District's group insurance plan with the District using the benefit amount to pay the retiring employee's cost of health insurance until the benefit is exhausted.

At June 30, 2013, the District has an obligation to two participants. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$16,378.

Note 5. Interfund Assets/Liabilities

The detail of interfund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
	Enterprise	
General	Nutrition	\$ 72,146
Total		<u>\$ 72,146</u>

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$167,334, \$154,149 and \$171,978 respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefit (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 19 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount contributed to the plan and changes in the District's net OPEB obligation.

Annual required contribution	\$ 38,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	(3,000)
Annual OPEB cost	<u>38,000</u>
Contributions made	<u>(85,400)</u>
Increase in net OPEB obligation	(47,400)
Net OPEB obligation beginning of year	<u>69,400</u>
Net OPEB obligation end of year	<u><u>\$ 22,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$85,400 to the medical plan. Plan members eligible for benefits contributed \$5,418.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 65,100	61.44%	\$ 50,100
2012	67,300	71.32%	69,400
2013	38,000	223.68%	22,000

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefit (OPEB) (Continued)

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$431,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$431,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,957,000 and the ratio of the UAAL to covered payroll was 22%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 5%.

Mortality rates are based on average life expectancy for the District's participant, which was assumed to be 83 years of age. RP-2000 Table was applied on a gender-specific basis.

The UAAL is being amortized over 30 years.

Note 8. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Home School Assistance Program (HSAP)	\$ 3,254
Statewide Voluntary four-year-old preschool pr	47,375
Returning Dropout and Dropout Prevention	2,107
Professional Development - Core Curr.	4,880
Professional Development General	16,817
	<hr/>
Total	\$ 74,433

NOTES TO FINANCIAL STATEMENTS

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$154,913 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Financial Condition

The District had unassigned/unrestricted deficit balance at June 30, 2013 in the Enterprise, School Nutrition Fund of \$46,744. The deficit will be eliminated by increasing meal prices.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES -- BUDGET AND ACTUAL --**

ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 3,763,691	\$ 94,322	\$ 3,858,013
State sources	1,617,140	1,485	1,618,625
Federal sources	125,572	78,591	204,163
Total revenues	<u>5,506,403</u>	<u>174,398</u>	<u>5,680,801</u>
Expenditures/Expenses:			
Current:			
Instruction	2,553,961	-	2,553,961
Support services	1,169,317	-	1,169,317
Non-instructional programs	-	174,364	174,364
Other expenditures	291,466	-	291,466
Total expenditures/expenses	<u>4,014,744</u>	<u>174,364</u>	<u>4,189,108</u>
Excess of revenues over expenditures/expenses	1,491,659	34	1,491,693
Balance, beginning of year	<u>1,520,445</u>	<u>(46,775)</u>	<u>1,473,670</u>
Balance, end of year	<u><u>\$ 3,012,104</u></u>	<u><u>\$ (46,741)</u></u>	<u><u>\$ 2,965,363</u></u>

See accompanying independent auditor's report.

Budget		Final to Actual Variance Favorable (Unfavorable)
Original	Final	
\$ 3,664,267	\$ 3,664,267	\$ 193,746
1,805,331	1,805,331	(186,706)
161,400	161,400	42,763
5,630,998	5,630,998	49,803
2,735,276	2,735,276	181,315
2,093,759	2,093,759	924,442
220,500	220,500	46,136
165,187	165,187	(126,279)
5,214,722	5,214,722	1,025,614
416,276	416,276	(1,075,417)
1,692,330	1,692,330	(218,660)
\$ 2,108,606	\$ 2,108,606	\$ (1,294,077)

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING **Year Ended June 30, 2013**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in other expenditures exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2011	July 1, 2009	-	\$ 643	\$ 643	0.0%	\$ 1,950	33.0%
2012	July 1, 2009	-	643	643	0.0%	1,950	33.0%
2013	July 1, 2012	-	431	431	0.0%	1,957	22.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funding status and funding progress.

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule 1

COMBINING BALANCE SHEET

Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Assets			
Cash and cash equivalents	\$ 276,415	\$ 41,243	\$ 317,658
Receivables:			
Property tax:			
Delinquent	3,375	992	4,367
Succeeding year	180,000	-	180,000
Total assets	\$ 459,790	\$ 42,235	\$ 502,025
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 7,922	\$ 2,779	\$ 10,701
Deferred revenue:			
Succeeding year property tax	180,000	-	180,000
Total liabilities	187,922	2,779	190,701
Fund balances:			
Restricted for:			
Management levy purposes	271,868	-	271,868
Student activities	-	39,456	39,456
Total fund balances	271,868	39,456	311,324
Total liabilities and fund balances	\$ 459,790	\$ 42,235	\$ 502,025

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule 2

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 180,219	\$ -	\$ 180,219
Other	3,556	108,763	112,319
Total revenues	183,775	108,763	292,538
Expenditures:			
Current:			
Instruction:			
Regular	23,661	-	23,661
Other	-	111,818	111,818
Support services:			
Administration	52,829	-	52,829
Operation and maintenance of plant	20,524	-	20,524
Transporation	10,273	-	10,273
Total expenditures	107,287	111,818	219,105
Change in fund balances	76,488	(3,055)	73,433
Fund balances beginning of year	195,380	42,511	237,891
Fund balances end of year	\$ 271,868	\$ 39,456	\$ 311,324

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Reading is Fundamental	\$ 1,919	\$ 125	\$ 900	\$ 1,144
Science Fair	863	516	772	607
Musical / Play	2,797	3,695	4,865	1,627
Athletics	13,128	46,862	45,874	14,116
FFA	877	31,201	30,336	1,742
Class of 2012	96	-	96	-
Class of 2013	4,816	96	4,748	164
Class of 2014	2,902	6,578	3,412	6,068
Class of 2015	1,576	-	-	1,576
Class of 2016	1,474	-	55	1,419
Class of 2017	818	-	32	786
Class of 2018	678	-	32	646
High School Student Council	934	4,181	4,856	259
Dance Team	388	-	233	155
Interest	407	67	114	360
High School Student Pop	2,778	-	340	2,438
Concessions	189	10,673	10,289	573
Cheerleader / Drill Team	515	286	-	801
Yearbook	4,114	3,399	4,290	3,223
Elementary Pop	1,242	1,084	574	1,752
Total	\$ 42,511	\$ 108,763	\$ 111,818	\$ 39,456

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Capital Project Accounts
Year ended June 30, 2013

Schedule 4

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 763,887	\$ 100,466	\$ 864,353
Receivables:			
Property tax:			
Delinquent	-	1,226	1,226
Succeeding year	-	70,719	70,719
Due from other governments	53,305	-	53,305
Total assets	817,192	172,411	989,603
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	12,901	263	13,164
Deferred revenue:			
Succeeding year property tax	-	70,719	70,719
Total liabilities	12,901	70,982	83,883
Fund balances:			
Restricted for:			
School infrastructure	804,291	-	804,291
Physical plant and equipment	-	101,429	101,429
Total fund balances	804,291	101,429	905,720
Total liabilities and fund balances	\$ 817,192	\$ 172,411	\$ 989,603

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT
Combining Schedules of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2013

Schedule 5

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 336,827	\$ 67,919	\$ 404,746
Other	2,170	95	2,265
Total revenues	<u>338,997</u>	<u>68,014</u>	<u>407,011</u>
Expenditures:			
Support services:			
Operation and maintenance of plant	-	7,429	7,429
Transportation	-	11,500	11,500
Other expenditures:			
Facilities acquisition	122,647	13,906	136,553
Total expenditures	<u>122,647</u>	<u>32,835</u>	<u>155,482</u>
Change in fund balance	216,350	35,179	251,529
Fund balances beginning of year	<u>587,941</u>	<u>66,250</u>	<u>654,191</u>
Fund balances end of year	<u>\$ 804,291</u>	<u>\$ 101,429</u>	<u>\$ 905,720</u>

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
Year ended June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 1,418	\$ -	\$ 159	\$ 1,259
Liabilities				
Due to other governments	\$ 1,418	\$ -	\$ 159	\$ 1,259

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function - All Government Funds For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 3,390,699	\$ 3,230,584	\$ 2,736,116	\$ 2,648,899
Tuition	196,636	221,573	259,680	102,324
Other	176,356	477,936	698,321	306,100
State sources	1,617,140	1,667,521	1,634,736	1,341,003
Federal sources	125,572	146,287	290,092	337,847
Total revenues	\$ 5,506,403	\$ 5,743,901	\$ 5,618,945	\$ 4,736,173
Expenditures:				
Instruction:				
Regular	\$ 2,005,832	\$ 1,540,158	\$ 1,833,232	\$ 1,717,936
Special	227,016	646,150	796,570	526,161
Other	321,113	442,944	601,784	627,634
Support services:				
Student	34,858	32,840	68,178	115,438
Instructional staff	55,940	61,149	156,116	139,770
Administration	531,994	626,246	659,592	534,052
Operation and maintenance of plant	314,768	301,918	374,081	417,467
Transportation	231,757	275,079	166,233	220,162
Non-instructional programs	-	-	-	125
Other expenditures:				
Facilities acquisition	136,553	109,716	138,729	189,257
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
AEA flowthrough	154,913	150,941	169,332	167,914
Total expenditures	\$ 4,014,744	\$ 4,187,141	\$ 4,963,847	\$ 4,655,916

See accompanying independent auditor's report.

Schedule 7

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
\$ 2,539,371	\$ 2,538,939	\$ 2,531,092	\$ 2,138,555	\$ 1,985,339	\$ 2,294,713
170,661	226,676	249,008	233,651	169,629	104,886
257,235	299,665	159,848	207,449	175,153	168,973
1,757,501	1,779,013	1,878,327	1,837,744	1,627,999	1,495,353
124,514	164,603	103,202	162,484	154,562	159,525
\$ 4,849,282	\$ 5,008,896	\$ 4,921,477	\$ 4,579,883	\$ 4,112,682	\$ 4,223,450
\$ 1,764,952	\$ 1,767,584	\$ 1,763,287	\$ 1,684,894	\$ 1,755,841	\$ 1,813,721
652,872	602,549	626,457	605,403	559,174	451,164
606,864	436,170	443,668	491,957	513,517	349,733
234,640	168,211	194,405	135,419	103,446	182,842
129,757	130,107	123,788	131,974	141,061	160,140
663,956	783,644	647,765	595,832	489,617	533,061
410,501	395,673	337,531	360,926	321,960	280,957
281,836	246,619	177,619	261,619	146,576	179,973
386	1,036	473	1,700	14,329	-
167,025	117,736	310,480	325,588	401,264	195,588
-	19,866	19,042	17,981	16,978	16,032
-	1,142	2,237	3,271	4,247	5,169
155,039	153,117	151,253	145,603	138,798	141,419
\$ 5,067,828	\$ 4,823,454	\$ 4,798,005	\$ 4,762,167	\$ 4,606,808	\$ 4,309,799



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Clay Central/Everly Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clay Central/Everly Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay Central/Everly Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clay Central/Everly Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay Central/Every Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clay Central/Every Community School District's Responses to Findings

Clay Central/Every Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Clay Central/Every Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clay Central/Every Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnarr & Company, LLP

Fort Dodge, Iowa
February 7, 2014

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Part I: Summary of Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-13 **Segregation of Duties:** The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District will continue to review and implement additional controls where possible.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Part III: Other Findings Related To Required Statutory Reporting:

III-A-13 Certified Budget: Expenditures for the year ended June 30, 2013 exceeded the amended certified budget amount in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – The budget will be amended before expenditures are allowed to exceed the budget.

Conclusion – Response accepted.

III-B-13 Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-13 Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-13 Business Transactions: We noted no business transactions between the District and District officials or employees.

III-E-13 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-13 Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

III-G-13 Certified Enrollment: No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

III-H-13 Supplementary Weighting: No variances regarding the supplementary weighting certified to the Department of Education were noted.

III-I-13 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Part III: Other Findings Related To Required Statutory Reporting (Continued):

III-J-13 Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely. However, due to adjustments made to the audit, the Certified Annual Report and the audit report are not in agreement.

Recommendation: The Certified Annual Report should be amended to agree with the audit report.

District Response: If necessary, the Certified Annual Report will be amended.

Conclusion: Response accepted.

III-K-13 Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

III-L-13 Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	587,941
Statewide sales, services and use tax	\$	336,827	
Interest		2,170	338,997
			<u>926,938</u>
Expenditures/transfers out:			
Buildings and building improvements		94,936	
Equipment		27,711	122,647
			<u>122,647</u>
Ending balance		\$	<u><u>804,291</u></u>

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Part III: Other Findings Related To Required Statutory Reporting (Continued):

III-L-13 Statewide Sales, Services and Use Tax (Continued): For the year ended June 30, 2013, the District reduced the following levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 1.34	\$ 275,456

III-M-13 Financial Condition: The District had an unrestricted deficit balance in its Enterprise, School Nutrition Fund in the amount of \$46,744.

Recommendation: The District should investigate alternatives to eliminate the deficits and return the fund to a sound financial position.

Response: We have increased the meal prices charged and will continue to investigate alternatives in eliminating the School Nutrition Fund deficit.

Conclusion: Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Clay Central/Everyly Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnarr & Company, LLP

Fort Dodge, Iowa
February 7, 2014